



PRELIMINARY ASSESSMENT OF COLLABORATIVE GOVERNANCE GAPS IN GEORGIA

INTERIM REPORT

USAID GOVERNING FOR GROWTH (G4G) IN GEORGIA

30 September 2015

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DATA

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ACRONYMS

AMCHAM	American Chamber of Commerce in Georgia
BAG	Business Association of Georgia
CC	Consultative Councils
CREDO	Competitive Regional Economic Development
CSO	Civil Society Organizations
DCFTA	Deep and Comprehensive Free Trade Area
DP	Development Partners
ENER	Single National Electronic Registry (Macedonia)
ENPARD	European Neighborhood Programme for Agriculture and Rural Development
EU	European Union
FDI	Foreign Direct Investments
G4G	Governing for Growth in Georgia
GEA	Georgian Employer's Association
GFA	Georgian Farmers' Association
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoG	Government of Georgia
GSMEA	Georgian Small and Medium Business Association
GWA	Georgian Wine Association
ICCIMA	Iran Chamber of Commerce, Industries, Mines and Agriculture
IFC	International Financial Corporation
IFI	International Financial Institutions
IMF	International Monetary Fund
NALED	National Alliance for Local Economic Development
NCEU	National Convention on the European Union
NEC	National Economic Council
OECD	Organization for Economic Cooperation and Development
PM	Prime Minister
PPD	Public Private Dialogue
RIA	Regulatory Impact Assessment
SAM	Serbian Association of Managers
SFPA	Slovak Foreign Policy Association
SME	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
TPU	Tax Payer's Union
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value-Added Tax
WG	Working Groups

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1. SUMMARY OF THE ACTIVITY OBJECTIVES AND ACHIEVEMENTS

Private sector development is a major challenge in the Georgian economy and is an integral part of the poverty reduction strategy. An important aspect in private sector development is a bottom-up approach and communication plan to ensure that issues of importance are fed into policy making processes. Making private sector development policy more responsive to private sector need depends on how public-private dialogue (PPD) is organized, especially with respect to approaches and mechanisms, as well as its institutional arrangement that brings together a group of public and private actors.

As of today, PPD in Georgia is an unstructured and informal process that usually occurs on an *ad-hoc* basis.

Since 2011, the new tax code established the position of the tax ombudsman in the country. The ombudsman was responsible to uphold the interests of businesses against the state and foster relations between the government and businesses as well as bring problems of the private sector to the attention of the government. From 2015, the apparatus of the business ombudsman is being introduced on the basis of the tax ombudsman institution.

Besides this institution, permanent meetings are being held with the participation of the Parliament of Georgia and the business associations (approximately twice a year); additionally, activation of the special agency for liaison purposes between the parliament, private sector and Civil Society Organizations (SCOs) at the Parliament is under implementation. This department has been functioning since 2006 with no tangible results at this point.

Also as a form of PPD, the President's advisor on economic issues holds regular meetings with the representatives of business associations.

The purpose of this assessment is to institutionalize PPD as a mechanism for diagnosing the problems and opportunities for private sector development in Georgia. The past few years have shown that there is distrust between public and private sector actors in the country resulting in limited responsiveness of public sector institutions to the requests of the private sector. Additionally, under the conditions of the EU Association Agreement, it is of utmost importance to foster institutionalized PPD mechanisms for creating a predictable environment for the private sector in Georgia.

As a result of the assessment, it is expected that policy reform is fostered through PPD and structured in a timely manner. As the Organization for Economic Cooperation and Development (OECD) model suggests, four stages of policy reform can be distinguished in which PPD is essential: (1) assessing and agreeing on problems; (2) designing and legislation solutions; (3) implementing reforms; (4) monitoring and evaluating the impact of the reform. The best practice shows that private sector participation is essential at the first two stages of the policy reform process.

At the initial stage, the focus of PPD on the national level should be the Ministries that are key policy makers in shaping the business climate in the country, and represent the interest of the largest private sector sub-sectors. These Ministries are: Finance, Economy and Sustainable Development, Justice, Agriculture and Energy.

Expected project outputs are the following:

- Promotion of investment climate reforms, acceleration of reform process. The indicator for achieving the result is simplification of regulations and controls, standardization of procedures for introducing new legislative or institutional amendments;
- Better diagnosis of investment climate problems and design of policy reforms; indicators are the number of meetings of the government representatives with the private sector, number of recommendation uptake by the government;
- Making policy reforms easier to implement; PPD helps to ensure that reforms actually affect the business climate, feed information back and keep up the pressure for action;
- PPD initiatives shall promote transparency, good governance and creation of public scrutiny pressure on the government. Indicators improve quality of state initiatives, quality

of draft laws and institutional changes followed with rigorous cost-benefit analysis and impact assessment;

- Mutual trust and understanding between public and private sectors shall be built improving social cohesion and civil society. Indicators increase trust of the private sector towards the government, bridging the collaboration between the two players.

2. SUMMARY OF THE ACTIVITY IMPLEMENTATION PROCESS, LESSONS LEARNED AND RECOMMENDATIONS

METHODOLOGY FOR EVALUATING EXISTING PPD MECHANISMS

The methodology that we have chosen to evaluate the PPD mechanisms existing in Georgia is mainly based on the current best practices applied in the developing countries and emerging markets. The main source for the conventional methodology was a comprehensive website <http://www.publicprivatedialogue.org> – “an output of the 1st International Workshop on Public Private Dialogue (February 2006, the World Bank Paris Conference Centre), organized by a cross-sectoral team from the World Bank Group, DFID and the OECD Development Centre. Since then, annual workshops have brought together PPD practitioners in Douala, Cameroon (2nd PPD Workshop, April 2007), Dakar, Senegal (3rd PPD Workshop, April 2008) and Vienna, Austria (4th PPD Workshop, April 2009, 5th PPD Workshop, June 2010 and 6th PPD workshop, June 2011).” However, in our research, we used experience of developing countries as well as added certain idiosyncratic features which distinguish Georgia from its peers.

Given the fact that at the moment PPD in Georgia is unstructured without any clear and measurable goals being set in most cases, and taking into account that the best practices suggest that evaluation preferably should not be done retrospectively and rather be the part of the overall structure, the evaluation process we are to undertake becomes quite complicated and requires a backward looking development of some measurable indicators that could be observed directly or inferred feedback from the interviews with stakeholders. Therefore, most of the indicators that we will be using are somewhat subjective and prone to interpretation issues. Nevertheless, at the moment it is the only way to proceed, with the objective that our evaluation will be the basis for improvement in conducting PPD in Georgia, so that in the future PPD design will be well structured with measurable goals and the possibility exists for real time monitoring and objective evaluation of outcomes.

Our evaluation of the existing PPD mechanisms is divided into three main steps:

1. Data collection
 - a. Identification of whether the existing PPD mechanisms were spontaneous or a part of a pre-established formal strategy; in case such strategy existed the following relevant documents will be analyzed:
 - i. Original program document
 - ii. Mission statement, mandate, official acts
 - iii. Periodic planning and reporting documents
 - iv. Policy papers of relevant Ministries
 - v. Statistical data
 - vi. Other relevant documents and sources
 - b. Identifying respondents and conducting relevant surveys/interviews with stakeholders
 - i. Interviews (with internal and external stakeholders)
 - ii. Questionnaires (internal and external stakeholders)
 - c. Observations, site-visits, etc.
2. Analysis of the collected data/information/statistics
 - a. Using “Evaluation Wheel” developed by <http://www.publicprivatedialogue.org> for comparison and benchmarking
 - b. Assessment of organizational effectiveness and process development of PPD
 - c. Economic impact of PPD
 - d. Presenting findings and conclusions
 - e. Lessons for the future
 - f. Recommendations
3. Dissemination of results
 - a. Publishing and distributing the report to stakeholders
 - b. Conducting workshops and presenting the results of the evaluation
 - c. Setting up a cycle of pilot PPDs as a foundation for a PPD mechanism reform in Georgia.

DATA COLLECTION

The interviews/meetings with officials will *inter-alia* be used to establish, whether a specific PPD strategy exists or is planned. If such a strategy exists, our questions will be focused on the development of the strategy, whether it has reached the intended outcomes, and what are its drawbacks and deficiencies and how its further development is planned. The collected documents will be analyzed in particular to compare the planned outcome with the factual one, to find the possible deviations from the objectives and to establish the reasons. The interviews and (potentially) online questionnaires will be used (but not limited to) to establish the following¹:

- What is the degree of involvement and authority of the public and the private sectors?
- What are the conditions that may favor or deter the emergence of PPD mechanisms?
- What incentives and monitoring mechanisms are in the PDP?
- How does the government agency ensure private sector participation in the decision-making process?
- In the absence of a structured PPD mechanism how does the information on relevant governmental initiatives reach the private sector?
- How does information on the needs/opinions of the private sector reach the government?
- What is the degree of involvement and authority of the public and the private sectors?
- What are the characteristics of the public agencies involved? (e.g., flexibility, isolated high-level areas, stability of key public servants, etc.).
- What are the characteristics of the private partners? (e.g., legitimacy, existence of prior consensus on relevant policy issues, technical capabilities, etc.).
- Has the PPD generated other positive impacts beyond those originally envisaged? Has it, for example, become a platform for identifying new challenges and opportunities?
- What is the cost-benefit balance of participating in PPDs as perceived by public and private sector participants?
- Did rent-seeking and free-riding behaviors emerge? If not, what mechanisms were employed to prevent them?
- How is the PPD expected to develop in the near future?

The methodology employed includes analysis of data from secondary sources (official statistics, surveys, websites, publications, etc.) and interviews with the key agents involved in each case, which aims at collecting information on the following subjects:

- What were the problems faced before the PPDs were launched?
- What factors led to the establishment of the PPDs?
- What were the institutional arrangements chosen, and why? What types of issues are discussed in the context of the PPD?
- How did the public sector reorganize in order to adapt to the PPD?
- Does the PPD help the government gain access to valuable information from the private sector?
- Has the PPD led to the emergence of permanent public-private networks that may transcend the original objective of the PPD?
- What actions were taken, if any, to improve the resilience of PPDs?

LIST OF RESPONDENTS

As a primary data collection method, in-depth interviews were conducted with policymakers and business associations (representing the private sector). On the policymaker side, three deputy ministers of target ministries (chosen for the purpose of this study) were interviewed: Economy and Sustainable Development, Agriculture, Finance, as well as representatives of the President's and Prime Minister's Office. Nine interviews in total were conducted.

From the business associations, the largest and the most influential business and sectoral associations were interviewed, as well as the business ombudsman of Georgia. Eight interviews in total with Business Ombudsman, Business Association of Georgia, Georgian Small and Medium Entrepreneurs Association, American Chamber of Commerce in Georgia, Export Development

¹ Using the methodology from the best practice cases listed in the report below

Association, Georgian Farmers' Association, Georgian Wine Association, Georgian Employers' Association. The list of respondents is given below.

<u>The Government of Georgia</u>	<u>Business Associations</u>
<p><u>Prime Minister's Office of Georgia</u> – Economic Council Advisors – Nino Javakhadze, Tamta Otiashvili, Vato Khavtasi, Tatia Batsikadze</p> <p><u>Ministry of Economy and Sustainable Development of Georgia</u> – Deputy Minister Irma Kavtaradze</p> <p>Deputy Head of the Foreign Trade and International Economic Relations Department – Mariam Gabunia</p> <p><u>Ministry of Agriculture of Georgia</u> – Deputy Minister Nodar Kereselidze</p> <p><u>Ministry of Finance of Georgia</u> – Deputy Minister Lasha Khutsishvili</p> <p><i>President's Administration –Economic Advisor to the President of Georgia – Giorgi Abashishvili</i></p> <p><i>Ministry of Energy – (Pending)</i></p> <p><i>Ministry of Justice – (Pending)</i></p>	<p><u>Business Association of Georgia (BAG)</u> – Deputy CEO - Irina Kvakhadze ; Manager of Sector Development – Nana Tsertsvadze</p> <p><u>Georgian Small and Medium Entrepreneurs Association (GSMEA)</u> – President Mikheil Tchelidze</p> <p><u>American Chamber of Commerce in Georgia (AMCHAM)</u> – Executive Director George Welton</p> <p><u>Export Development Association</u> – Executive Director Gvantsa Meladze</p> <p><u>Georgian Farmers' Association (GFA)</u> – Executive Director Nino Zambakhidze</p> <p><u>Georgian Wine Association</u> – Communications Manager Tata Jaiani</p> <p><u>Georgian Employer's Association</u> – Enterprise Relations Head Lasa Labadze</p> <p><u>Business Ombudsman</u> – Nino Phodiashvili</p>

DATA ANALYSIS

The Evaluation Wheel is used to analyze the gathered information, developed to evaluate different aspects of PPD in a visual way.² Whilst we realize that subjective judgment becomes quite important in this case, we still think that out of the different methods of evaluating PPD this one is the most illustrative and given the lack of structure/strategy in PPD in Georgia will prove to be very useful in the evaluation process. The following description is taken from <http://www.publicprivatedialogue.org/tools/PPDhandbookD4.pdf>.

For each of the eleven process aspects represented on the wheel, below are presented two objectively verifiable indicators indexed on a scale from 1 to 10. The average index between different indicators for a single process aspect gives the final score to be plotted on the wheel.

The following matrix presents several indicators that can be objectively verified by the evaluator(s) through interviews and desk study.

#	Operational Process Indicators	Index Measurement	Technique to Gather Information
1. Mandate and institutional alignment: average scoring on all indicators on a scale from 0 to 10			
i.	Existence of mission statement and capacity of participants to explain this mission statement	<ul style="list-style-type: none"> - Non-existence=0; existence (in coherent written document)=10 - Percent of respondents 	<p>Desk study</p> <p>Interviews (minimum of 5 interviews with</p>

² The methodology is taken from <http://www.publicprivatedialogue.org/tools/PPDhandbookD4.pdf> and adapted to our needs

		who are able to recite the substance of the mission statement; none=0; all=10.	stakeholders)
ii.	Degree of anchorage of the partnership into existing public institutions, as per its mandate	<ul style="list-style-type: none"> - Percent of respondents who are able to recite the substance of the mission statement; none=0; all=10. - Mandate formally accepted and signed by relevant public institutions (none=0; all=10) 	Desk study Interviews
2. Structure and participation: average scoring on all indicators on a scale from 0 to 10			
iii.	Existence of rules and regulations in the partnership, including formal mechanisms in place to balance power	<ul style="list-style-type: none"> - Non-existence of documents with rules and regulations=0; complete set of clear rules and regulations=10 - Equal participation of each stakeholder group (in number and level representatives): unequal or stakeholder groups missing=0; exactly equal=10 	Desk study Desk study Interviews
iv.	Degree of participatory decision-making	<ul style="list-style-type: none"> - Percent of decisions reached by consensus or vote during partnership meetings (none=0; all=10) - Active contribution of all different stakeholder groups in developing proposals (none=0; all=10) 	Desk study Interviews Interviews
3. Champion(s) and leadership: average scoring on all indicators on a scale from 0 to 10			
v.	The presence and clear involvement of champions who are recognized as such by stakeholders	<ul style="list-style-type: none"> - Existence of at least one champion in each of the participating stakeholder groups (none=0, all =10) - Percent of respondents that identify the same champion(s) (all mention different champions=0, all mention the same one(s)=10) 	Interviews
vi.	Continuity of involvement of champions in dialogue or partnership	<ul style="list-style-type: none"> - Turnover rate of champions. (high, staying on only a few months=0 to low, continuous presence=10) 	Interviews
vii.	Quality of facilitation of the PPD	<ul style="list-style-type: none"> - Existence of Terms of Reference for facilitators and other members of the 	Desk study

		<p>Secretariat? Nonexistent=0; coherent written document=10</p> <ul style="list-style-type: none"> - Percent of respondents who indicate that facilitators perform well 	Interviews
viii.	Quality of management arrangements (responsibilities, tasks, structure, arrangements etc.)	<ul style="list-style-type: none"> - Existence of task descriptions for manager(s), and – if there is more than one manager – clear division of tasks (non-existence=0, clear description/division=10) - Timely availability of project plans and timelines for all stakeholders (no and not for all=0 and yes for all=10) 	<p>Desk study</p> <p>Desk study</p> <p>Interviews</p>
4.Outputs: average scoring on all indicators on a scale from 0 to 10			
ix.	Amount and kind of economic and/or reform proposals in relation to planning	<ul style="list-style-type: none"> - Number and kind of economic and/or reform proposals (none=0, as planned =6, exceeding planning=10) 	<p>Desk study</p> <p>Interviews</p>
x.	Degree to which dialogue or partnership has innovated or changed existing institutional structures.	<ul style="list-style-type: none"> - Percent of respondents of external organizations who indicate the PPD has had influence on activities of their organizations. (none=0, all=10) - Appreciation expressed by external stakeholders on the performance of the PPD (no knowledge at all/low appreciation=0; detailed knowledge and high appreciation=10) 	Interviews with external stakeholders
5.Outreach and communication: average scoring on all indicators on a scale from 0 to 10			
xi.	Quality and frequency of communication between different stakeholder groups	<ul style="list-style-type: none"> - Distribution of time between listening and speaking of participants of different stakeholder groups in meetings of the PPD (extremely unequal=0 and very equal=10) - Number of misunderstandings or disagreements in communication that are clarified (none=0, all=10) 	<p>Observation of meetings</p> <p>Interviews</p>
xii.	Amount and kind of outreach and communication activities to	<ul style="list-style-type: none"> - Amount of money spent yearly by the partnership on 	<p>Desk-study</p> <p>Interviews (internal and</p>

	civil society and media	media and communication as a percentage of the total budget of the PPD (no budget=0, total amount (needs to be customized to situation)=10) - Amount of (written, verbal, television) external communication messages (none=0, total amount (needs to be customized to situation)=10)	external stakeholders)
6. Monitoring: average scoring on all indicators on a scale from 0 to 10			
xiii.	Quality of reporting and documentation on activities of the partnership	- Number and frequency of monitoring reports (on a scale from 0 to 10) - % compliance of reporting with qualitative targets set for monitoring (not at all=0, entirely=10)	Desk study
xiv.	Degree to which monitoring results have resulted in changes in planning and targets	- Percent of follow-up actions on recommendations in monitoring reports (no recommendations followed up=0, all recommendations followed up=10)	Desk study Interviews
7. Sub-national: average scoring on all indicators on a scale from 0 to 10			
xv.	Existence of local and regional structures or consultation mechanisms for the dialogue or partnership	- Consultation of PPD (through formal structures/channels) at further decentralized geographical levels (no at all=0, many channels and all relevant levels=10) - Percent of respondents at the level of local target groups (indirect beneficiaries of the PPD) who are satisfied with the performance of the PPD (none=0, all=10)	Desk study Interviews Interviews with beneficiaries and target groups at the local level
xvi.	Existence of activities of the PPD at other levels (local, regional or national) through ad hoc activities or dedicated programs or working groups	- Number of activities at other levels than the dialogue and partnership itself (none=0, many and at many different levels=10)	Interviews (internal and external stakeholders)
8. Sector specific: average scoring on all indicators on a scale from 0 to 10			
xvii.	Degree to which the dialogue or partnership addresses specific problems of participants	- Number of (sub)sector or issue specific working groups in the PPD (none=0,	Desk study Interviews

		all relevant subsectors= 10)	
xviii.	Capacity of the dialogue or partnership to generate concrete solutions to specific problems of participants	<ul style="list-style-type: none"> - Number of (sub)sector or issue specific proposals generated (none=10, at least one per year for each (sub)sector or issue=10) - Quality of these proposals rated by the evaluator(s) (on a scale from 0-10) 	<p>Desk study</p> <p>Interviews</p> <p>Desk study</p>
9. International role: average scoring on all indicators on a scale from 0 to 10			
xix.	Presence and participation of participants in the dialogue or partnership at international forums and conferences	<ul style="list-style-type: none"> - Number of international events in which representatives of the PPD participated (none=0, all relevant international forums and conference=10) - Number of presentations on the PPD for audience as a percentage of total events in which was participated (none=0, all=10) 	<p>Desk study</p> <p>Interviews</p>
xx.	Active consultation and contacts made by international actors to learn from the dialogue or partnerships	<ul style="list-style-type: none"> - Number of international actors who made inquiries with the PPD (none=0, regular inquiries by different international actors (at least 10 inquiries of 5 different actors)=10) 	<p>Desk study</p> <p>Interviews</p>
10. Post-conflict reconciliation: average scoring on all indicators on a scale from 0 to 10			
	Capacity to put conflicts on the agenda of the dialogue or partnership and resolve them	<ul style="list-style-type: none"> - Existence of an internal communication strategy to mitigate conflicts (not existent=0, existent (written and coherent)=10) - Percent of conflicts that have been peacefully resolved within the PPD according to respondents. Average % of all respondents (none=0, all=10) 	<p>Desk study</p> <p>Interviews (participants in the PPD)</p>
xxi.	Contribution made by the dialogue or partnership to conflict resolution and peace building in its external environment.	<ul style="list-style-type: none"> - Existence of an external communication strategy to mitigate conflicts in the direct external environment of the PPD (not existent=0, existent (written and coherent)=10) - Number of relevant conflicts in the direct context of the PPD positively influenced by the PPD, according to 	<p>Desk study</p> <p>Interviews (external)</p>

		external stakeholders. (no influence at all=0, in all conflicts positive contribution noticeable=10)	stakeholders)
11. Development partners: average scoring on all indicators on a scale from 0 to 10			
xxii.	Degree of dependence of the PPD on financial support of development partners (DPs)	- Amount of financial support from DPs as a percentage of the total costs of the dialogue or partnership (total budget provided by DPs=0, more than 50% of budget provided by own resources=10)	Desk study
xxiii.	Degree of autonomy of the agenda of the PPD from agendas of development partners	- Number of points on the agenda that were promoted by DPs as a percentage of total issues on the agenda. (all points promoted by DPs=0, no points promoted by DPs=10)	Desk study Interviews

The design of the evaluation wheel is such that it enables a clear and easily readable picture of a dialogue or partnership, which can be used for comparison of process-evaluation results over time in the same PPD or to compare different PPDs on the 12 elements of the PPD charter.

Using the evaluation wheel will allow us to identify weaknesses in the PPD process in Georgia and focus on those weaknesses in our further analysis with particular attention to recommendations and advice on the steps that are required to rectify the problems and eliminate the failings. At the same time, part of our analysis will be concentrated on the economic impact of existing PPDs and the ways of making the further PPD strategy economically most beneficent and optimal for Georgia.

DISSEMINATION OF RESULTS

The report will be published both online and as a hard copy and will be disseminated among all the stakeholders, both interviewed during the report preparation process and potential participants of future PPDs.

3. DESCRIPTION OF PROJECT IMPACT AND RESULTS, BASED ON THE INDICATORS PRESENTED IN THE APPLICATION AS WELL AS ANY OTHER ANECDOTAL INFORMATION, STAKEHOLDER OR OBSERVER COMMENTRY

EXISTING PPD MECHANISMS

GOVERNMENT AGENCIES

Government Agency	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
PM's Office	<p>Informal (ad hoc)</p> <p>Private sector turns to the economic council for better access to information, complaints about legislation via regular post; in certain cases these complains come after no action from relevant line ministries; oftentimes, the private sector is passive when attending thematic meetings organized by the ministries. Later on once the legislation enters into force, certain business representatives face difficulties and only after that they turn to the prime minister's</p>	Milk regulation legislation;		<p>PPD is not organized only on grounds of an initiative, but rather once the initiative is a draft, before it hits the parliament.</p> <p>Economic council mainly communicates with BAG and GFA. The council prefers informal, unstructured mechanisms of communication, such as calling up relevant associations or ministries, getting an idea of how they feel about the initiative, and in case it is decided that the meeting is worthy to hold, they call up relevant representatives from the business sector and hold sometimes joint meetings with line ministries.</p>

	<p>office for “help.” Most of the Sectoral associations are also weak in the process.</p> <p>Economic council organizes meetings with private sector representatives on issues of importance that might affect businesses;</p>	Migration law	Economic team of the ministries’ realized possible negative impact of the legislation and made subsequent changes based on the analysis presented by business associations.	
		Tobacco excise tax	This sector is working on presenting evidence based research to the council on the possible impact of excise tax increase on the economy. The meeting was organized with the support of EBRD.	
Administration of the President of Georgia	<p>PPD platform is used on <i>ad hoc</i> basis, whenever an issue is of great importance for the business or CSO society, intensive face to face meetings are organized, and feedback is collected.</p> <p>However, these meetings take place at least once every three</p>	<p>The President’s Parliamentary speech was prepared in tight coordination with the private sector and CSO representatives;</p> <p>The President</p>	<p>The Presidential veto on the National Bank bill concerning the supervision of commercial banks. The revised draft bill proposed by the President was prepared based on a number of PPDs held with the CSO and international organization representatives;</p>	<p>The administration organizes meetings with the CSO representatives on regular basis, however is less active in coordinating with the business associations and the private sector;</p> <p>The President, in his recent speech, mentioned the necessity to conduct regulatory impact assessment of initiatives affecting business environment, before the first hearing is held in</p>

	weeks which makes this platform nearly permanent.	appoints heads of the regulatory commissions or other entities, where he is entitled to name the candidate in collaboration with the CSO representatives.	The President nominated the member of the National Bank's Supervisory board; members of the Georgian National Energy and Water Supply Regulatory Commission after holding meetings with CSO representatives.	the Parliament.
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
Ministry of Agriculture (MoA)	<p>Coordinated via sectoral associations (honey-makers association, wine association, farmer's association, etc.);</p> <p>Relevant departments of the Ministry, as well as the deputy Ministers themselves have very tight relations and almost daily contact with the sectoral associations (Honey Maker's, Wine Maker's, Grain Growers' Association).</p> <p>Public Hall at the National Food Agency, which organizes thematic meetings and invites private sector representatives to participate in these discussion panels. The National Food Agency coordinates the process and their premises are used for the events. The</p>	<p>Milk and Honey Regulations;</p> <p>Rules of Business Operator Recognition.</p>	Initiative was publicly available for one month and was open for feedback and comments. Milk and honey regulations were initiated by the state in order to develop the sector and protect consumer rights. The discussions were held at the Public Hall and interests of honey/milk producers were incorporated into the law.	The issue has become especially important and practical after the association agreement went into force. Since this process requires a number of legislative changes, especially in the direction of SPS (Sanitary and Phytosanitary). When organizing thematic meetings the Ministry uses a database of stakeholders for their invitation. Thematic meetings are organized based on the importance of an initiative. Private sector is rather passive; initiative mostly comes from the side of the Ministry. At the same time, private sector representatives rarely have any comments or suggestions during these meetings, they are reluctant to speak up especially if the Minister is present.

	platform was initiated by Comprehensive institution building program funded by the EU.			
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
Ministry of Economy and Sustainable Development (MoESD)	<p>PPD mechanism is rather unstructured and disorganized, it includes meetings of the Minister with business associations, staff of the ministry also conducts regional meetings and consultations with business representatives.</p> <p>With the support of the G4G project, a concept for formalizing the PPD mechanism, Trade Advisory Group (TAG), has been created. The initiative is yet to be enforced, most probably through the Minister's Decree.</p> <p>Newly established Investment Council funded by EBRD will be a platform for the dialogue.</p>	<p>Licensing and permits;</p> <p>SME Strategy;</p> <p>DCFTA meetings with business representatives.</p>		Investment Council - the initiator of this council was GoG, donors will be in charge of funding the council on a rotational basis. The council is a not for profit, non-commercial legal entity, independent from the state. Members of the council will be representatives of economic sector ministries, business associations, donors. Thematic meetings will be initiated both from the government, as well as from the business side.
Ministry of Finance (MoF)	A number of ways to receive feedback from the private sector and ensure their	Taxation regimes for Construction	In order to renew construction works started before the 2008 war, meetings were held with	Oftentimes, business initiatives serve narrow interests and are not comprehensive to represent sectoral problems or issues.

	<p>engagement.</p> <p>Important draft laws are <i>uploaded to the website</i> for discussion (e.g. Tax Code draft, Draft Budget)</p> <p><i>Each taxpayer has their own page on e-filing website www.rs.ge</i>; important information is sent to them as a notification for receiving feedback (e.g. transfer pricing instructions were sent this way);</p> <p>Face to face meetings – with business associations (BAG, GSMEA, TPU, GEA) thematic meetings with Oil Importers' Association, etc. the meetings are headed by the Minister of Deputy Ministers;</p> <p>On site visits – in case of specific amendments (change in labelling of non-alcoholic beverages) the Minister conducts on site visits;</p> <p>Analysis of complaints filed by the business ombudsman.</p>		Builder's Association.	<p>Initiatives coming from businesses do not have financial impact assessments.</p> <p>Most of the initiatives concern tax reduction and do not cover other problematic issues.</p>
		Excise Tax	Meetings with tobacco producers, public statements from the side of the Ministry, amendment package uploaded for discussion beforehand.	
		Labelling of non-alcoholic beverages	Meetings with the producers	
		Profit tax reduction	Ongoing initiative, meetings are held with stakeholders	

BUSINESS ASSOCIATIONS

Business Associations	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
American Chamber of Commerce in Georgia (AMCHAM)	<p>The chamber is quite active and has two or three events in any given week with the representatives of the government, as well as half a dozen ongoing legislative issues (such as agricultural land, migration law, national bank supervisory function).</p> <p>Primary points of contact: business ombudsman office, MoESD, Parliament. Unless the initiative comes from a particular ministry, these are the most useful points of contact.</p>	<p>Law on labor migration</p>	<p>Limitation on hiring foreigners was abolished thanks to active participation from the side of business associations. The provision was moved; they met with the EU, got clarification from them and passed the message on to the Ministry. So they were very useful.</p>	<p>Obtaining information – three ways of getting information: (1) hearing about something, even in the press, the chamber is determined to establish a structured mechanism to get information: for example they dedicated one person who spends half of his day at the Parliament of Georgia. In such a way he will manage to build relationships, mutual trust will be developed. (2) Tracking parliamentary website, through the committees initiating contact with the relevant agencies (for example last week with the tourism agency contact has been initiated since the tourism development strategy is being developed) even though in some cases it is too late to make a change, they still give it a try. (3) third way: policymakers turn to the chamber, however this usually is a box ticking exercise, they need to consult with business representatives and they do so at the very last moment.</p>
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
Business	PPD is not a structured process	Labor Code	Labor inspection	Access to information – governmental initiatives

Association of Georgia (BAG)	and is more of a formal character, lack of planning, problems in managerial skills. Invitation to participate in a review process of a legislative change arrives a day before the scheduled meeting, not giving them enough time to react;	Migration Law	Limiting the business sector to employ a foreigner;	<p>often become known at: the stage of an initiative; when it is already a draft law; when it is passed with the first hearing; and at one time there was a situation where legislative change was made available after being passed (through media channels).</p> <p>Generally, BAG uses its personal contacts to gain access to legislative changes, website of the Parliament of Georgia is not user-friendly and searching for ongoing legislative drafts is not always easy.</p>
	Lobbying certain amendments/initiatives openly (through joint statements with other business associations through media sources), as well as in a closed meetings attended by the governmental representatives.	Moratorium on executing real estate of NPL holders.		
	<i>Type of PPD Mechanism</i>	<i>Project (if any particular PPD has been discussed)</i>	<i>Activities/Outcomes</i>	<i>Notes</i>
Georgian Small and Medium Enterprise Association (GSMEA)	<p>The new labor code set a precedent of having a formalized structure of a commission made up of the state, business and professional unions. The commission has not been active since, with only one meeting held.</p> <p>The existing PPD mechanisms are unstructured; meetings take place on ad hoc basis. Such</p>	Amendment made to the article 255 in the tax code of Georgia	Before the amendment, once the first instance court made a decision, it was sent out to the enforcement agency, without taking into account the fact if the decision was appealed against and re-tried in the second instance court. As of now, enforcement is done only after the final court decision is made.	Overall accountability of the government has improved over the past years.

	meetings are: the government meets with the business, ombudsman meets with the business, president meets with the business. These meetings from the side of the government are attended by the deputy ministers, ministers.	Labor inspection	5-6 associations lobbied for postponement and elimination of the change, the government dropped this amendment.	
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
Georgian Employer's Association (GEA)	<p>PPD is definitely not as a structured process and despite the fact that policymakers often publicly display interest towards business positions, meetings held are more of a formal character, and in general are organized through initiatives of particular associations and organizations.</p> <p>Association collaborates with the MoESD as well as the MoA of Georgia, Tbilisi City Hall, Revenue Service. Regular meetings are held, at least once a month with government officials.</p>	Approval of labor conditions monitoring program in February 2015	Aims to help employers create safe and healthy environment for employees, prevent revealed violations and revise and define labor safety and health protection standards.	

	<i>Type of PPD Mechanism</i>	<i>Project (if any particular PPD has been discussed)</i>	<i>Activities/Outcomes</i>	<i>Notes</i>
Georgian Farmers Association	Within ENPARD project, coordination meetings with representatives of donor and partner organizations and government officials are held regularly. On such kind of meetings views and recommendations are shared between sides and rational strategies are generated for future actions.	Law on agricultural cooperatives	GFA took part in open discussion meeting of stakeholders, after which sufficient recommendations and remarks were generated and proposed to the government.	Founder and Chairwoman of GFA Nino Zambakhidze interacts with representatives of governmental structures on a day-to day basis, therefore information about legislative changes and initiatives taking place in agricultural sector is always available for the association. Another source of getting information is above mentioned coordination meetings and also GFA has special group responsible for daily media digest, thus another channel of useful information.
	Apart from that, meetings with the Association representatives are time to time initiated by the Ministry of Agriculture of Georgia, according to the problems and issues that are needed to be discussed and solved but we cannot say that meetings are of obligatory or planned character.	Work on new state-financed grants project for supporting honey producers' cooperatives in Georgia by providing grants	At the stage of planning and initiation of the program GFA honey producers were not aware of this particular project, so GFA played vital role it in information dissemination process and also experts of the association suggested particular recommendations for future strategy in this direction for the agency. Similar program will be implemented for dairy product producers' cooperatives as well.	

		Organizing the first stakeholder's forum on the Tea Sector	On July 1, 2015 with collaboration of ENPARD and other partner organizations and with active participation of government representatives.	
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes
Export Development Association	The government is ready to cooperate and communicate; there is no problem in their willingness, but rather in their qualification and systematization of the process.	Entrepreneurship Development Agency	The Agency was established based on the concept prepared by the association. The strategy of the agency was written by them and was funded by GIZ.	Special attention should be paid to the follow-up of the meetings and dialogue. The ideas expressed during the meetings do not often come into reality and do not reach decision makers, are not implemented.
	Type of PPD Mechanism	Project (if any particular PPD has been discussed)	Activities/Outcomes	Notes

Georgian Wine Association (GWA)	<p>GWA collaborates very intensively with the National Wine Agency as well as with the ministry of Agriculture of Georgia.</p> <p>Meetings are initiated by both sides frequently according to emerged problems and issues that should be resolved.</p>	<p>New Law on Wine and Vine</p>	<p>Their recommendations were fully considered.</p>	<p>Recently, in February 2015, the association signed memorandum agreement with the National Wine Agency, which enhances further collaboration and dialogue with Government representatives.</p>
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Business Ombudsman	<p>Experts of the business ombudsman's office have face to face meetings with the private sector representatives on daily basis;</p> <p>From time to time, the Prime Minister meets the private sector representatives in Tbilisi and regions;</p> <p>A joint working group is created at the Ministry of Finance that unites representatives of the Tax Ombudsman and the Ministry of Economy and Sustainable Development;</p> <p>Legislative amendments that might affect business environment in the country are sent to the business ombudsman experts for further analysis (examples: tax code, amendments to the Law on Free Trade and Competition, amendments to the Law on Introducing Protective Measures in Trade, draft Law on Consumer Rights' Protection, amendments to the Enterprise Law, amendments to the Law on State Program on Labor Condition Monitoring, etc.</p>		<p>VAT exemptions for construction sector;</p> <p>Nuts processing sector establishment of damage norm;</p> <p>Writing off tax liabilities;</p> <p>VAT exemption for internal processing of goods.</p>	<p>Business Ombudsman protects legal interests of the private sector. For this purpose, business ombudsman has the right to ask the state authorities for additional information, create a special working group with the participation of private sector representatives, ask relevant authorities for clarifications.</p> <p>According to the legislation of Georgia, business ombudsman serves as a mediator between the government of Georgia and the private sector to identify, analyze, study and solve problematic issues of the private sector.</p> <p>Access to information:</p> <ul style="list-style-type: none"> - Direct contact with the private sector (meetings, telephone and internet communication, statements from business representatives); - Dispute settlement body at the Ministry of Finance for identifying problematic issues; - Auditors' and Lawyers' Working group at the ombudsman's office that identifies and works on problematic issues; - Meetings with business and sectoral associations.
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PPD REFORM ROADMAP

Adoption of a PPD Roadmap confirms the intentions and goals of the Government of Georgia to develop a transparent process of Public Private Dialogue in order to increase the trust between public and private sectors, improve existing governance practices and create a business environment in Georgia conducive to growth and poverty reduction objectives.

1. Need for the reform
 - a. Lack of communication between government and private sector
 - b. Existing PPD is unstructured
 - c. Private sector's recommendations and wishes are rarely heard/implemented in practice
2. Priorities
 - a. Ensuring that government initiatives that will directly affect businesses, business environment or will somehow be related to conducting business in Georgia will be discussed with the private sector
 - b. Ensuring continuous and uninterrupted Public Private Dialogue in Georgia
 - c. Creating the standard evaluation mechanism for future use, so that the PPD mechanisms introduced will undergo parallel monitoring
 - d. Building the institutional capacity of the public sector to develop and manage public institutions within the framework of public sector reform processes
 - e. Ensuring the coherence of the framework of different reform processes and the institutional capacity to manage reform processes
3. Reform stages
 - a. Evaluation of existing PPD mechanisms (the present report)
 - b. Identifying weaknesses in the current setup
 - c. Prioritizing weaknesses in order of importance
 - d. Setting up a standard procedure for PPD applicable to most government initiatives
 - e. Ensuring the monitoring and evaluation process to be in place along with the PPD
4. Targets and Indicators
 - a. Creation of legislative grounds of PPD
 - b. Implementation and publishing of monitoring and evaluation of PPDs
 - c. Transparency and openness of PPD

PPD BEST PRACTICES

The notion that the explicit permanent dialogue between the government and the business sector is a necessary condition both for the government to be able to adjust its policies so that to promote economic growth and development and for the private sector, for the long term planning of their operations has become particularly prominent in the past two decades. This is particularly true in case of developing countries and emerging markets to the extent that practically all donors and IFIs include the existence/establishment of well managed public private dialogues as an important condition of promoting better and more efficient public policies. The weight that has been given to the PPD is further proved by the creation of the specific website <http://www.publicprivatedialogue.org>, which initially had been “an output of 1st International Workshop on Public Private Dialogue (February 2006, the World Bank Paris Conference Centre), organized by a cross-sectoral team from the World Bank Group, DFID and the OECD Development Centre”³ but has since greatly expanded and now can “serve as a comprehensive “one-stop shop” of knowledge and advice for stakeholders who are interested in building or maintaining PPD to improve the business climate”.⁴

Since 2006 the international workshops on PPD and study of PPD impact in general have become a regular occurrence and at present a vast literature both in form of case studies and research has been collected and can be used when setting up the PPD platform anew or improving/optimizing the existing one. In the present chapter we will try to summarize some of the best PPD practices agreed

³ <http://www.publicprivatedialogue.org/about/> .

⁴ Given the extremely rich content of this website, which includes various resources for stakeholders from both public and private sector, it is no surprise that most of the information, used in preparation of the present report (particularly the cases used in the analysis of best practices) comes from there.

upon internationally, based on certain country cases as well as on the “Charter of Good Practice in using Public Private Dialogue for Private Sector Development and Inclusive Growth”.⁵

The aforementioned Charter consists of thirteen main principles, essential for implementation of the PPD, including, among others.⁶

Principle I: Contextual Design	PPD can take several forms and can take place at various levels within different timeframes.
Principle II: Open Governance Process	Public-Private Dialogue needs to function under open, transparent, and fair governance rules. PPD will be more likely to succeed if its governance structure is designed to take into account political economy factors.
Principle III: Mandate and Institutional Alignment	A statement of objective is helpful for clarity. A formal or legal mandate can be helpful in some political and economic contexts, but mandates are never sufficient to establish good PPDs. Wherever hosted and whenever possible, PPDs should be aligned with existing institutions to maximize the institutional potential and minimize friction.
Principle IV: Structure And Participation	PPD should have a solid structure and a representative participation. The structure should be manageable while flexible, enable participation to be both balanced and effective, reflect the local private sector context and stakeholders' interests.
Principle V: Facilitation	The PPD process needs to be facilitated professionally with dedicated people and resources, so as to efficiently manage all aspects of the dialogue process with a view to delivering results.
Principle VII: Outputs	Outputs can take the shape of structure and process outputs, analytical outputs, soft outputs or recommendations. While all should contribute to agreed private sector development outcomes, the PPD should aim for tangible, practical and measurable benefits.
Principle VIII: Outreach and Communications	Enabling communication of a shared vision and understanding through the development of a common language is essential for building trust among stakeholders and keeping them engaged.
Principle IX: Monitoring & Evaluation	Monitoring and evaluation is an effective tool to manage the public-private dialogue process and to demonstrate its purpose, performance and impact.
Principle X: Appropriate Area and Scope	The dialogue process should be tailored to the set of issues to be addressed and consider the implications for sub-issues that are part of a larger agenda, and smaller jurisdictions that can play a role in the change process. Local and sector specific public-private dialogues have strong potential for focused results. National and economy-wide platforms and local and sector specific initiatives would gain by coordinating their agendas, so as to best serve the interests of their constituencies.
Principle XII: Development Partners	Public-Private Dialogue can benefit from the input and support of development partners when their role is determined by the local

⁵ <http://www.publicprivatedialogue.org/charter/>

⁶ Ibid; we have omitted some of the principles, focusing on those particularly relevant for Georgian case. The complete list can be found via the link above.

	context, demand driven, and based on partnership, coordination and additionality.
Principle XIII: Sustainability	"Sustainability" (or 'Exit') refers to the transfer of operations, management or financing of a PPD by a development partner to local institutions. Achieving sustainability is a challenge for a PPD and requires the commitment of all PPD actors.

These principles were drawn based on the best practice cases coming from all over the developing world and below we will try to give some best examples of PPD implementation in developing countries.

ALBANIA⁷.

In 2014, a National Economic Council was established in order to “guarantee institutional cooperation and public-private partnership, ensuring dialogue and consultation between the government and the private sector to guarantee the rule of law, transparency of public decision making and the representation of each and every individual in this process.”⁸

NEC represents a formal permanent platform of the dialogue between the public and private sector. The dialogue can be carried out both through the official website of the NEC (<http://kek.al/>) via exchange of comments, suggestions and/or proposals and periodic high-level meetings and workshops. There is a strictly defined period of consultation on draft proposals or new policies between the government and the stakeholders, consisting of 60 days starting on the next day of the draft publication. NEC also serves as a consultant to the Government of Albania with the scope of responsibility covering “recommendations and practices to improve the legal and institutional framework which would impact the economy as well as projects for influential policy change in areas of investment, trade, taxation and fiscal packages, business climate, arbitrariness and bureaucratic practices etc.”

NEC consists of both permanent and invited members, with the permanent members being the Minister of Economy, the Minister of Finance, the Governor of the Bank of Albania, NEC’s Secretary General, six personalities of national and world economy, six largest taxpayers of the business community, domestic or foreign, represented by their legal representatives and four business organizations,⁹ represented by their legal representatives. Other members are invited on a case-by-case basis and can represent other government agencies, academia or relevant business sectors. NEC meetings are held monthly and quarterly, with quarterly meetings including foreign representatives.

Since its establishment, NEC has been used as a platform to discuss many important issues, including the Agreement of Albania with the World Bank and IMF, the EU negotiation process, the new VAT law, pension reform, challenges in the Energy sector, the draft budget for the year 2015, etc. In addition, a number of economic fora were organized and held, on miscellaneous important economic issues.

The aim of NEC is to provide an institutional framework with a direct impact on the business climate:

- Promote dialogue as a means to achieving consensus
- Help address economic matters the business community is facing
- The National Economic Council acts as a forum for dialogue and consensus between the Government and the business community
- Provide representation to a wide range of national associations, different socio-professional organizations and entrepreneurs
- Express its opinions, and make appropriate recommendations to the Government

⁷ Based on Elona Varfi, “The National Economic Council of Albania”, Presented at the Public-Private Dialogue 2015 Workshop (Copenhagen, March 10-13, 2015) - <http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20Albania.pdf>

⁸ All citations are taken from the document referenced above

⁹ Business Albania, Chamber of Commerce and Industry, American Chamber of Commerce, Albanian Association of Banks

At the moment, NEC is “the only institutional meeting-place and forum for dialogue at governmental level that enables a consensus to be reached between diverse interests.”

BOSNIA AND HERZEGOVINA¹⁰

In Bosnia and Herzegovina, PPD is still at an early stage of development. However, important lessons can be learned. A notable PPD platform operating in Bosnia and Herzegovina¹¹ is represented by the CREDO Boards, established in the framework of CREDO (Competitive Regional Economic Development) Krajina project and aimed at supporting SMEs. The Boards are focused on employment, export, revenue and productivity. There has been a dynamic response from the private sector, which “started with generic issues and it slowly moved to more specific issues.”¹² At the moment, four boards covering four different industries operate under the CREDO Boards framework - metal works, food and drinks, wood processing, and the footwear industry. Each board has 10-12 members and consists of directors/owners of successful companies and policy development officials from the public sector. The PPD process is ongoing and is expected to build trust and identify key competitiveness challenges, bottlenecks and opportunities. An interesting example is the sector board for wood processing and furniture industry, established in November 2013. The board has 12 members and consists of directors/owners of successful companies. Chairman of the board is an owner and director of a medium sized company producing and exporting parquet and multilayer wood flooring. The board is supported by a coordinator from the project team and a sector expert.

The board holds seven sessions over the period of one year. During those sessions and between them the board should identify key challenges each sector is facing, key bottlenecks and barriers for growth of SMEs and specific interventions needed to improve competitiveness in both the short and long term.

What is specific for this approach is a “multi-layer” dialogue leading to improvement measures.

The first round of the dialogue takes place between directors of leading companies in the sector supported by specific expertise that is provided by sector experts and deeper analyses (value chain analysis and gap analysis). First hypotheses formulated on the meetings/workshops of a sector board (using Porter's Diamond format) are being checked and re-formulated during a deeper analysis that involves more companies through interviews based on a value chain approach and adapted Porter's Five Forces tool.

When the analysis is completed and findings are confirmed by the sector board, a new round of dialogue begins, with the addition of meso-institutions that could facilitate or resolve identified market failures or government failures. In parallel, some of the interventions, mostly at the micro and meta-level, are being undertaken: some of them as obvious, incremental and potentially as quick-wins and some others as sense-making probes to understand emerging patterns of behavior and changes that are needed as well as support and resistance to those changes.

The process flow has two main dimensions: (1) going from generic to more specific insights regarding diagnosis of issues related to competitiveness of SMEs and sector in the region; and (2) going from specific insights to systemic interventions at four levels (micro level - SMEs and their interactions; meso - specific policies and instruments targeting competitiveness; macro - relevant generic policies; meta - building trust, social capital and cooperation).

IRAN¹³

The PPD platform, country's Public-Private Council, was established in the beginning of 2011 in the Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA). “The council set out efforts to establish dialogue among public, cooperative and private sectors besides facilitating their economic efforts, identifying and removing business barriers, making decisions to be effective in regard with the

¹⁰ Based on “Wood Processing and Furniture Industry - Improving Competitiveness through CREDO Boards in Bosnia and Herzegovina” by Zdravko Miovcic (<http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20Bosnia%20and%20Herzegovina1.pdf>)

¹¹ In its North-West area

¹² All citations are taken from the document referenced above

¹³ Based on Iran's Public-Private Dialogue Council by Morteza Allahdad (<http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20Iran.pdf>)

current laws and regulations, and proposing administrative recommendations and solutions to incumbent authorities.”¹⁴

The council is somewhat large in numbers, however, it consists of representatives of all three branches of government (four chairmen of Parliamentary Commissions, six ministers, head of the Central Bank and President’s deputy, two representatives of the Judicial Branch) and twelve representatives of the private sector, including the Mayor of Tehran and head of ICCIMA. This makes the council extremely well represented which is an important feature.

Besides, according to the Law of “Continuous Improvement of Business Environment” ratified in 2011, “provincial governors are supposed to set up the public-private council in cooperation with the provinces chambers presidents presided by each province’s governor. This council is to organize the mechanism of accumulating requests of economic operators and business associations with the aim of improving business environment in the province. If the issue at hand is discerned as a general one encompassing all the nation, it will be submitted to the national public private dialogue council for further discussion.”

The Council’s duties cover a wide range of issues, from “Proposing amendment or omission to existing regulations or commanding new ones in order to improve the country’s business environment,” and “listening to the opinions and proposals of economic assemblies or business associations’ representatives,” to proposing recommendations “to enhance the country’s economic culture, business ethics, and entrepreneurial and occupational skills,” and “on contracts concluded between administrative bodies and economic operators from private and cooperatives sectors in order to reach reconciliation and avoid the imposition of any undesirable and unfair terms and conditions.”¹⁵

The goal of this PPD platform is to eliminate economic problems faced by economic operators, which is done through identifying and tracking economic barriers and problems being put forward by businessmen. The set of issues to be discussed by the council is also limited by certain requirements, such as:

- Being a widespread and all-inclusive issue (a large number of individuals or parties would be affected either directly or indirectly by its outcome).
- Being a preliminary step toward resolving other issues and problems.
- Being absolutely a verifiable issue upon which a consensus can be reached.
- Preferably being applicable without the need to amend the existing laws and regulations.
- Having an impact on reducing the time and cost of performing processes in executive agencies.
- Being impossible to be resolved by other bodies and authorities in terms of speed and the expected comprehensiveness.

Overall, the experience of the council is quite positive, with 45 meeting sessions held since its inception, to discuss and resolve the barriers and problems faced by economic operators in areas such as social security, taxation, banking, etc. However, a problem is that since the adopted decisions are merely consultative in nature, they lack the required legal guarantee for enforcement. The council only proposes strategies and solutions to promote the business environment.

*MACEDONIA*¹⁶

Macedonia has achieved significant success in PPD mostly through the public consultation E-portal ENER-Single National Electronic Registry of legislation (www.ener.gov.mk), which was considered by the EU accession report as having significantly improved government’s transparency and inclusion in the legislation process. This is particularly interesting, since previously the policymaking process in the country was lacking transparency, whereas regulations and legislation were produced without any public consultations and was quite difficult to follow.

¹⁴ All citations are taken from the document referenced above

¹⁵ The full set of duties can be found in the document cited, pp. 3-4

¹⁶ Based on “Macedonian E-Gov Solution For Public Consultation In The Legislative Process-A National Platform For Sustainable PPD Based On Regulatory Impact Assessment Transparency Principles” by Gordana Gapikj-Dimitrovska, (<http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20Macedonia.pdf>)

“The Regulatory impact assessment (RIA) was introduced and implemented since 2009 as new form of governance improving inclusion, transparency and accountability of the public sector, while the public consultation E-portal ENER is the key mechanism based on RIA which enables companies to actively participate in creating legislation in partnership with the public sector.

ENER was developed and a series of procedures for the public servants were designed and made obligatory as part of the legislation drafting process, whereby:

- Enhanced transparency is achieved by making it legally binding to publish all law drafts and law change proposals of the government, in each phase of their preparation, with detailed explanations and justifications about the proposal, including a cost-benefit analysis and analysis of different options, with an argumentation about the reasons why that specific approach was considered to most adequate, in line with the RIA principles;
- ENER provides simple, free-of-charge and direct active involvement for any company, media house or citizen, in the complete legislative process from the initial proposal to make law changes, to the final stage in the government procedure. Each portal visitor has full access to all relevant documents which explain why the law is being issued or amended, which impacts are expected on the society and what outcomes can be envisaged from the new legislation. Based on these data, the visitor can send proposals and comments for improvement of each draft document-legislation. Each comment is registered, published and answered with specific deadlines so if the government rejects a proposal, they have to explain why in writing, which brings the burden on them;
- ENER is directly connected with the “E-Government session” system, meaning that no law changes can reach a session without having been properly processed in the ENER with RIA Report (excluding those that are by law not subject to RIA). Only one government official can by-pass this system and approve a law to come to the session incomplete, but a trace in the system stays, with monitoring data about the number of such events. Ministries don’t have this privilege;
- ENER guarantees that based on the obligatory administration procedures, all comments shall be published without delay and replied within a specified deadline. Each reply contains an explanation whether the comment is accepted or declined, stating the reasons for that decision, in publicly;
- The new RIA procedures for the public administration implemented in 2014 significantly increase personal liability of civil servants and ENER in case somebody ignores comments or fails to comply with the public consultation deadlines, makes it traceable to locate personal responsibility for every anomaly, in order to take measures on time;
- A civil society project “Mirror of the government” is regularly monitoring and weekly publishing of the quantity and quality of use of ENER by the government;
- ENER also serves as main source for the media of relevant information about the ongoing legislation projects of the government, without having to visit every single web-site of the Ministries or use alternative routes to obtain information.”

It is obvious that the online PPD platform of Macedonia is a very well thought-through facility, open to any interested stakeholder, supported by all levels of the executive government and can serve as a good example for deploying a PPD platform from scratch.

SERBIA

PPD development in Serbia is mostly carried out as a part of the USAID Business Enabling Project, a five-year initiative, launched in 2011, the first component of which – Business Regulation and Economic Governance – aims at improving public-private dialogue.¹⁷

Serbia is quite similar to Georgia in many aspects, both socio-political and macroeconomics, and in the same way as in Georgia, the PPD in Serbia is mainly ad hoc and decentralized, centering on specific issues or legislation. “There is a legally mandated public consultation period that ensures that draft laws are released to the public and that comments on the laws can be sent. However, in many cases the responsible ministry uses an urgent procedure that allows for just 20 days of public consultations. The ministry simply releases the draft law on the Internet, and pays little attention to comments received via mail or email. Nonetheless, as discussed below, there have been some

¹⁷ http://bep.rs/english/facts_en.php

examples of best practices in PPD regarding a number of key pieces of legislation”.¹⁸ Most important is the Council for Small and Medium-Sized Enterprises, Entrepreneurship and Competitiveness, established in May 2015, intended to coordinate the work of ministries and other organizations that promote entrepreneurship and development of SMEs.

Another similarity to Georgia is the active position of major business associations, particularly AmCham Serbia, who established a set of PPD structures, intended to deepen the relations between the business sector and the government. AmCham has organized a number of “Lap Time Conferences,”¹⁹ which feature “impressive key note speakers from the Government to whom the results of the annual AmCham survey are presented laying out the key concerns of members regarding improving the business environment.”²⁰ The Serbian Association of Managers’ (SAM) PPD activities include regular forums with government officials on specific topics, such as tax administration and inspections reforms.²¹ The National Alliance for Local Economic Development (NALED) has a number of PPD initiatives, ranging from tracking²² and monitoring regulatory reforms²³ to holding roundtables for local governments with the recommendations drawn as a result of these roundtables submitted to the Government of Serbia, “for the purpose of setting up healthy base for competitive business, economic growth and higher employment.”²⁴

“Serbia can boast of some best practices in PPD regarding key legislation. This includes the Law on Planning and Construction, where there was PPD while a diagnostic study of the permitting system was conducted, more PPD as a team of experts developed a road map for legal and institutional reforms, and much more PPD while the law was being drafted. This PPD is continuing during implementation of the law, including public consultations on the bylaws and a planned user feedback mechanism. Other best practice examples include laws on inspections, labor and factoring. These four examples involved donor organization or co-organization of the dialogue (the USAID Business Enabling Project), but there is at least one example of significant dialogue taking place without donor assistance: the draft Law on Consumer Protection.”²⁵

As one can see, despite its early stages, PPD in Serbia is moving in the right direction and given the will of the current and future governments, the now ad-hoc and fragmented dialogues between government and business can be developed into a full-fledged PPD platform.

SLOVAKIA²⁶

Unlike Serbia, Slovakia has a long-term tradition of the discussion between the government and the business sector, with the example of national discussion of the EU accession being particularly relevant for Georgia, given its European aspirations but also very interesting given that the discussion was open to literally every layer of Slovak society. The platform for this discussion was the National Convention on the European Union (NCEU), active since 2001. Given its aim, the NCEU is a mostly political rather than economic PPD platform, however, apart from purely political plenary sessions, NCEU has 11 working groups – PPD platforms in their own rights on a smaller scale, devoted to subjects like economic policy and business (WG 1), agriculture and rural development (WG 2), regional policy and regional development (WG 4), institutional reforms (WG 7), etc. “Overall, stakeholders agree that the NCEU has made an invaluable contribution to improving the Slovak Republic’s policy-making capacity and strengthening participatory governance. WG recommendations have fed directly into official policy positions and policy output of the Slovak Republic at the EU level.”²⁷

¹⁸ <http://www.policycafe.rs/english/b-pn-improving-public-private-dialogue-in-serbia.php>

¹⁹ E.g. <http://www.amcham.rs/news.33.html?newsId=1028>

²⁰ <http://www.amcham.rs/platforms/improving-business-environment/business-and-corporate-law-committee.108.html>

²¹ <http://www.policycafe.rs/english/b-pn-improving-public-private-dialogue-in-serbia.php>

²² <http://www.naled-serbia.org/en/page/49/OUT-OF-THE-MAZE:-GREY-BOOK>

²³ <http://www.naled-serbia.org/en/page/138/Regulatory-Index-of-Serbia>

²⁴ <http://www.naled-serbia.org/en/page/46/Vision-2016:-Economic-agenda-for-the-new-Government>

²⁵ <http://www.policycafe.rs/english/b-pn-improving-public-private-dialogue-in-serbia.php>

²⁶ Based on “Political and Social Dialogue on the Slovak Republic National Convention on the EU (2004-2007)” by Dr Kristina Mikulova, <http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20the%20Slovak%20Republic.pdf>

²⁷ Ibid. p.3

Plenary Sessions deal with strategic issues, i.e. performance and development of the EU institutions. The NCEU meets in plenary session twice a year. At the sessions the Chairmanship of the NCEU is present and its members are appointed ex officio (Deputy Prime Minister for European Integration, Human Rights and Minorities, Minister of Foreign Affairs of the SR, Chairman of the Committee for European Integration, Chairman of the Foreign Affairs Committee, Chairman of the Board of Directors of SFP, President of the Association of Businessmen, Representative of Local and Regional Government). At these sessions, leaders of the working groups report on their agenda and activities.²⁸

Working groups are based on professional interest of the participants; they meet separately and focus on specific topics. Each of the eleven working groups meets at least four times a year, whereas at least three meetings take place outside the capital.

Consultations and voting in working groups are led by two Co-Chairmen: a representative of the state sector (from relevant ministry or office), a representative of the non-state sector (private sector, local government, NGOs, academia, etc.)²⁹

*TAJIKISTAN*³⁰

The PPD in Tajikistan is present on all possible levels, with the EBRD financing this process at national level, GIZ at provincial, UNDP and sporadically others donors / projects at regional and local levels. EBRD was the first donor to establish the PPD in Tajikistan creating a national-level platform in 2007, whereas In 2010, GIZ and IFC provided technical support to establish Consultative Councils on Improvement of the Investment Climate and Business Environment under the Governors (CC), including their Secretariat, in Sughd and Khatlon regions.

“PPD proved to be successful as a motor for business environment reforms in the country. The PPD platforms are in the process of ‘turning into a system’. Extending the dialogue platforms from national to regional and local levels seems to be appropriate to initiate a bottom-up way for channeling issues and proposals to the appropriate decision-making authority. At the same time, a regional and local dialogue significantly contributes to effective implementation of national policies.”³¹

The regional CCs consist of 7 members each (3 permanent, 4 subject to rotation), with an additional seat for donor representatives. The national level CC comprises of 12 members (4 permanent, 8 subject to rotation). The frequency of CC sessions mainly depends on how quickly the private sector can analyze the subject of the next session and prepare proposals. Thus at regional level normally 2 or a maximum of 3 sessions take place, at national level 3 to 4 sessions per year.

GIZ plays an important part in the PPD, interacting “with private and public partner organizations at national and sub-national levels to establish well structured, systematic, transparent, effective, and locally driven dialogue and implementation processes.” GIZ also works on harmonizing the subjects to be discussed between the national and regional levels, on improving the cooperation between the various PPD levels and on the capacity building of the private sector representatives in economic analysis, organizational and moderating skills (with the latter being particularly important in order to prevent the government representatives dominating the stakeholder meetings).

At the moment the PPD in Tajikistan is somewhat far from being fully established and there are numerous challenges, which include, *inter alia*, the following³²:

- While the PPDs in the regions are government-hosted development partners still subsidize some operational and technical components. Eventually, all financial and technical input should be borne by the Government and the private sector jointly. The weakest point is still the contribution from the private sector side and it needs further efforts to enable business associations to cope with this task.
- There is not yet a systematic dialogue concept, neither at national and nor at regional level, based on sector analysis.
- The monitoring skills to track the implementation of decisions are still insufficient.

²⁸ <http://www.eurokonvent.sk/defaulten.aspx?lang=en#3>

²⁹ Ibid.

³⁰ Based on “From Regional to National PPD IN Tajikistan” by Zarina Kosymova - <http://www.publicprivatedialogue.org/workshop%202015/2015%20-%20Public%20Private%20Dialogue%20in%20Tajikistan.pdf>

³¹ All citations are taken from the document referenced above

³² We have only left the challenges that could be considered relevant for Georgia

- The public-service officials in the various ministries and agencies in general are insufficiently aware of private sector development needs, particularly of the evolving needs of businesses in a changing market. There is a knowledge gap, which often translates into lack of communication, lack of trust, and thus interruption of dialogue-based policy-making processes, ending up by corruption.

However, the results achieved through these PPD mechanisms are remarkable, both on national and regional level:

1. Reform in Tourism Sector

The achievements include the development of an action plan by the national level Tourism Working Group, adopted by the Government. Expected Economic impact: direct - 5% to GDP and indirect - 15% to GDP.

2. Doing Business

For the 3rd time the World Bank recognized Tajikistan to be the best reformer among 189 countries.

3. Ratification of the Hague (Apostille) Convention

On October 29, 2014 the Parliament of the Tajikistan ratified the Hague Convention (Apostille Convention) from October 5, 1961, on abolition of foreign official documents legalization. This will contribute to FDI inflows to the national economy and will save time and money through simplified processes of registering documents for foreign investors and local businesses making business abroad. It also facilitates activities of foreign migrant workers in the country.

4. Sovereign credit rating

The most significant achievement is transparency of government economic structures and FDI attraction.

The key sectors initiated by regional PPD level with impact on entire economy:

1. Enhance export capacity of fruit and vegetables sector.
2. Permit law implementation at local level: issues on establishment of production enterprises and import of technical equipment.
3. Development of Tourism sector.
4. Simplification of the Tax Code.

All in all Tajikistan experience is quite interesting as an example of streamlined PPD reform on national and subnational levels, with the challenges somewhat similar to those encountered in Georgia.

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